



March 18, 2005
Meeting Summary of the
Financial Affairs Committee

1. Participants

--Brice Bledsoe, Contra Costa WD (call-in)	--Alan Thompson, EBMUD
--Bob Stackhouse, CVPWA	--George Senn, CVPWA
--Ara Azhderian, SLD MWA	--Russell Harrington, Westlands WD
--Lynn Hurley, Santa Clara Valley WD	--Mike Hagman, FWA
--Lee Emrick, Colusa County WD	--Anthea Hansen, Del Puerto WD (call-in)
--Eric Limas, Lower Tule River ID (call-in)	--Mike Britton, Westside WD
--Larry Bauman, BOR	--Jesus Reynoso, BOR
--Judy Tapia, BOR (call-in)	

2. Opening Business

The March meeting was held at the ACWA Offices, 910 K Street in Sacramento. The meeting began at 9:30 a.m. and concluded around 11:30. The agenda was reviewed and approved as presented. The February 18 FAC meeting summary was also approved as presented. The next meeting will be held on April 22 from 9:30-11:30 a.m. at the ACWA Offices.

3. 2004 FAC Issues Matrix

A. Budget Workshops – Refining Customer Participation. Larry had no new information to provide. He agreed to follow up with Craig Muehlberg, BOR Budget Officer, to find out what is being planned for future contractor participation in the budgeting process.

B. BOR-WORKS Water Accounting Program Development. Larry acknowledged that Reclamation had received the CVPWA letter from Bob Stackhouse relative to the FAC's request to schedule a meeting with Reclamation staff to discuss the problems associated with the BOR-WORKS water accounting program. He said that Reclamation is drafting a response to the letter and is working with all of the area offices to resolve concerns from water contractors having to reconcile their water delivery data to two different Reclamation data sources. He said that an internal meeting with the area office staff and region staff is tentatively scheduled for the first week in April. He said that the water contractor representatives will not be invited to participate in this meeting.

C. Water Rate Transfer Policy Development. Larry stated that MP-400 (Donna Tegelman) has forwarded the Final Policy on Water Rates for Water Transfers to the Regional Director for his approval and signature. . In accordance with this policy, Reclamation proposes, for the 2005 water year, to credit incremental revenues resulting from water transfers as an offset to Water Marketing costs. Ara said that during meetings last year, Reclamation had agreed to credit incremental revenues resulting from water transfers to those specific capital facilities costs identified as incremental costs involved in the transfer. Reclamation agreed at that meeting to discuss this crediting proposal with the Deputy Regional Director (John Davis). **Action Item** – Larry has the subject document on his desk for surnaming and will meet with Donna to find out the status of the crediting provisions in the final policy.

D. Security Cost Reimbursability. Larry stated that Reclamation is developing a report on the reimbursability of security costs that is required to be completed in May, 2005. He indicated that he believed the subject report was being prepared by Reclamation's Washington Office with input from the Regional Offices.

4. 2005 FAC Issues Matrix. George reported that Brice presented the FAC 2005 Issues Matrix to the CVPWA BOD on March 8 and it was approved as presented. George passed out copies of the Matrix.

5. Capital/Deficit Rate Development. George passed out copies of the principles document that members of the FAC had developed to guide Reclamation in its efforts to come up with new water delivery projections (that would be more in line with actual deliveries) for use in setting CVP capital cost recovery rates. He also passed out a worksheet that compares Reclamation's proposed use of the average of the past five years of paid for project water as the basis for projecting future deliveries with the delivery projections shown in Schedule A-12 of the rate books (note: the current year projected deliveries as shown in Schedule A-12 are based on the 5-year average of paid for project water). The use of 5-year average paid for project water as the basis for delivery projections in the cost pro-ratio process essentially reallocates the existing outstanding project capital costs amongst the water contractors—costs are shifted from those contractors whose 5-year average paid for project water is less than the delivery projections shown in the A-12 tables to those whose average paid for project water is closer to the delivery projections shown in the A-12 tables. The use of 5-year average paid for project water (in lieu of A-12 deliveries) causes most contractors' capital repayment rates to increase over those developed through the current process. The group discussed the pros and cons of using deliveries based on a 5-year average and came to the conclusion that the 5-year average would not be suitable for setting capital rates (note: Reclamation didn't comment on the groups conclusions). After considerable discussion, it was agreed that Reclamation would compute, for analysis purposes, CVP Irrigation and M&I capital rates using projected delivery data contained in the Programmatic Environmental Impact Statement prepared for implementing the CVPIA. In addition, Larry indicated that they would compare the 5-year average paid for project water with the average of actual deliveries since 1993 (reflecting the reduced deliveries due to the CVPIA). Larry agreed to have the new computations completed by the first week in April so that the FAC can have time to review them and prepare proposals for the next FAC meeting on April 22.